



**Kitex Garments Limited**

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KGL/26<sup>th</sup> AGM/investor\_presentations\_2018

July 28, 2018

<p><b>The Secretary</b> BSE Limited Corporate Relationship Dept, 1<sup>st</sup> Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort Mumbai - 400001, Maharashtra <b>Scrip Code: 521248</b></p>	<p><b>The Secretary</b> National Stock Exchange of India Ltd Exchange Plaza, C-1 Block G Bandra Kurla Complex, Bandra East, Mumbai - 400051, Maharashtra <b>Scrip Code: KITEX</b></p>
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Sub: **PRESENTATIONS MADE DURING THE 26<sup>TH</sup> ANNUAL GENERAL MEETING ('AGM') OF THE COMPANY HELD TODAY**

Please find enclosed the presentations made during the 26<sup>th</sup> AGM of the Company held today for your information and records.

This will also be made available on the company's website viz., [www.kitexgarments.com](http://www.kitexgarments.com)

Thanking you,

For **Kitex Garments Limited**

**Sabu M. Jacob**

Chairman and Managing Director

Enclosure : As above



**26<sup>th</sup>**  
**Annual General Meeting**

**28<sup>th</sup> July 2018**

**Kitex Garments Limited**

**Investor Presentation**

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*Disclaimer: Statements in this report that describes the company objective , projections, estimates, expectation or prediction of the future may be "forward looking statements " within the meaning of applicable securities laws and regulations. Company cautions that such statements involve risks and uncertainty and that actual result could differ materially from those expressed or implied.*

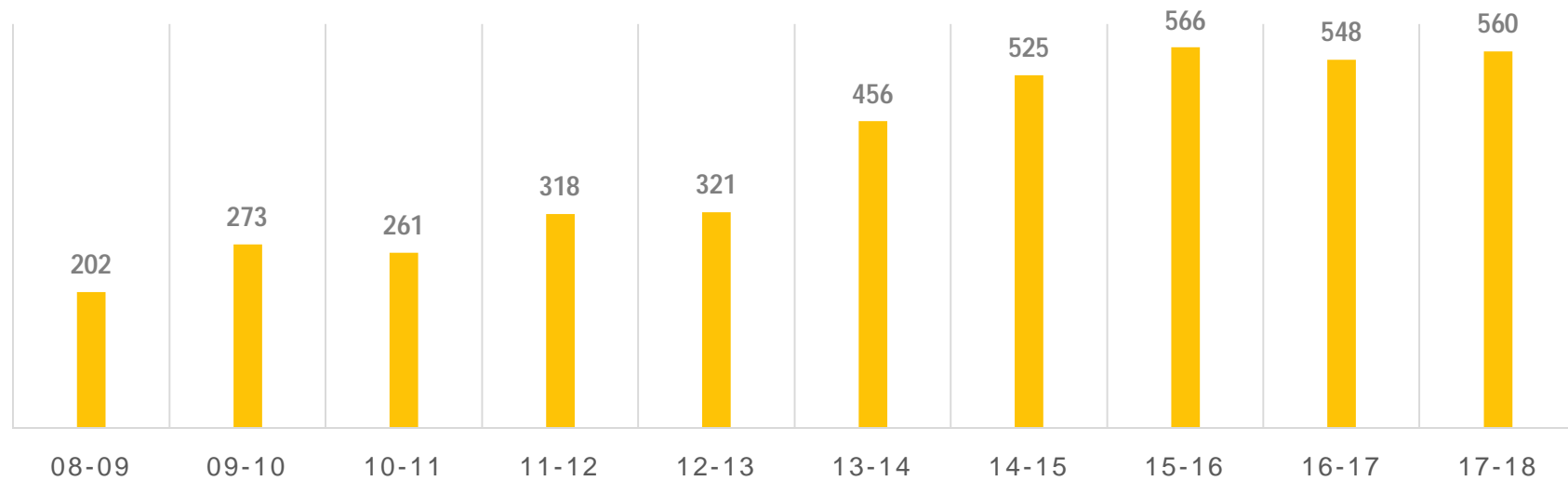
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# Performance Snapshot

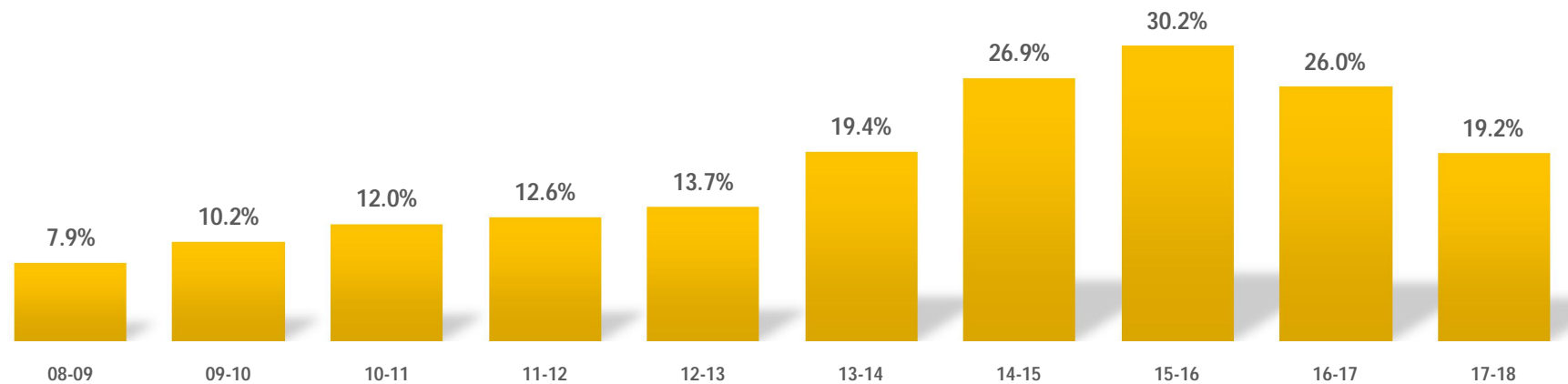
# Revenue & PBT – 10 year track record



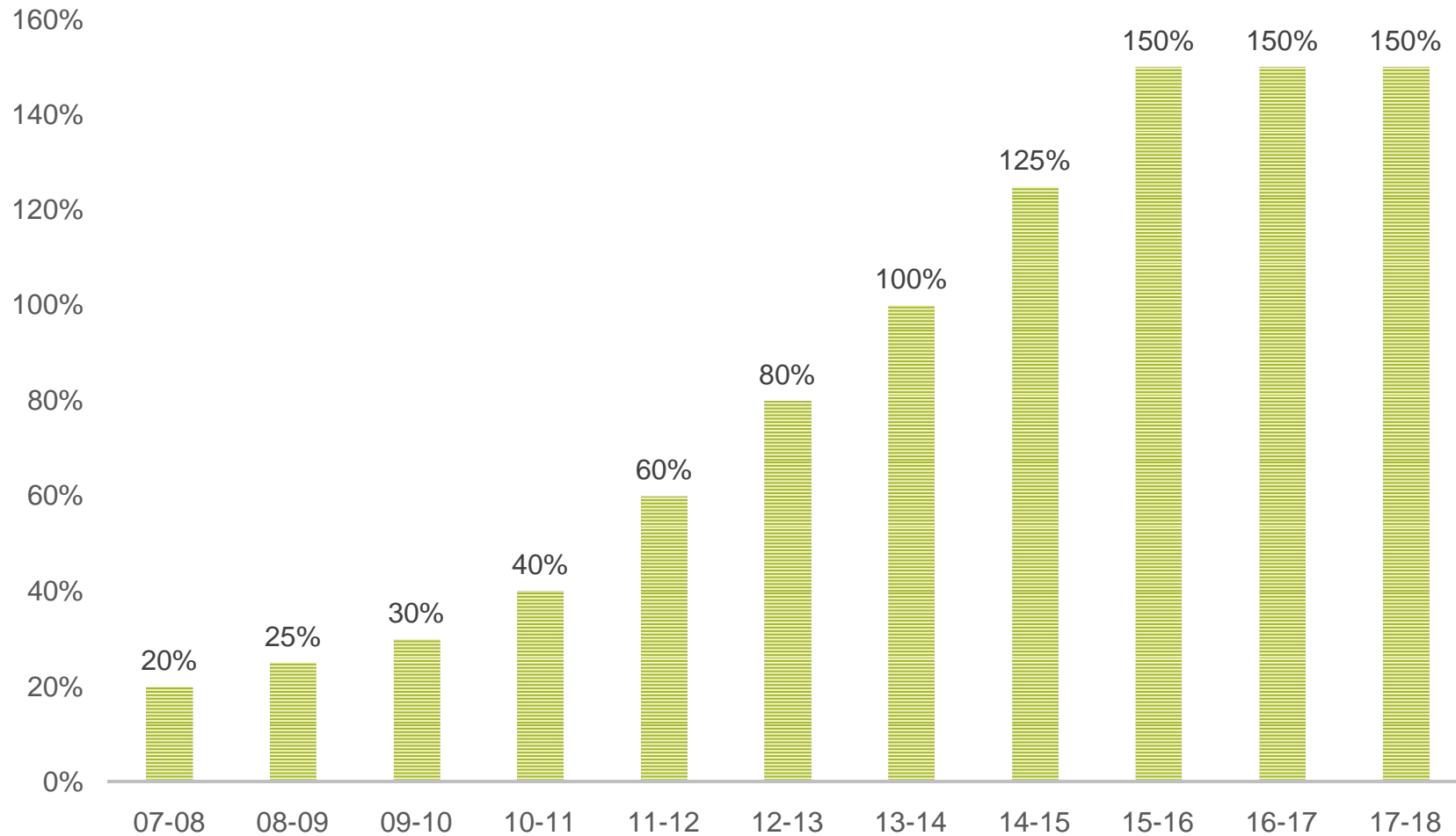
Revenue (in INR crores)



Profit Before Tax (%)



# Returns to shareholders – 10 year track record



In FY 2017-18: Bonus shares issued @ 2:5

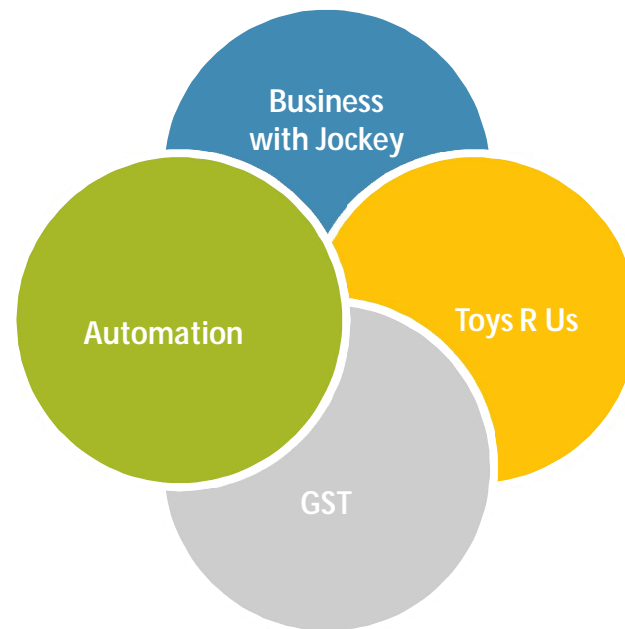
# Major Events that Impacted FY 2016-17 & FY 2017-18

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The Jockey Management decided to withdraw a product that was manufactured using technology of NASA USA due to lack of Marketing in 2016-17

Automation project was not successful as the U.S manufacturer was unable to deliver the Automation requirement



Toys R Us, a 61 year old company with over 1200 stores worldwide which was a major client of Kitex, filed for liquidation in March 2018.

During the year 2017-18 the roll out of Goods and Service tax resulted in reduction of export benefits

# Key events impacting revenue from operations

## FY 2016-17

### Business with Jockey

- ✓ The Jockey Management decided to withdraw a product that was manufactured using Technology from NASA USA due to lack of Marketing in 2016-17
- ✓ This has impacted the long term growth projections made earlier

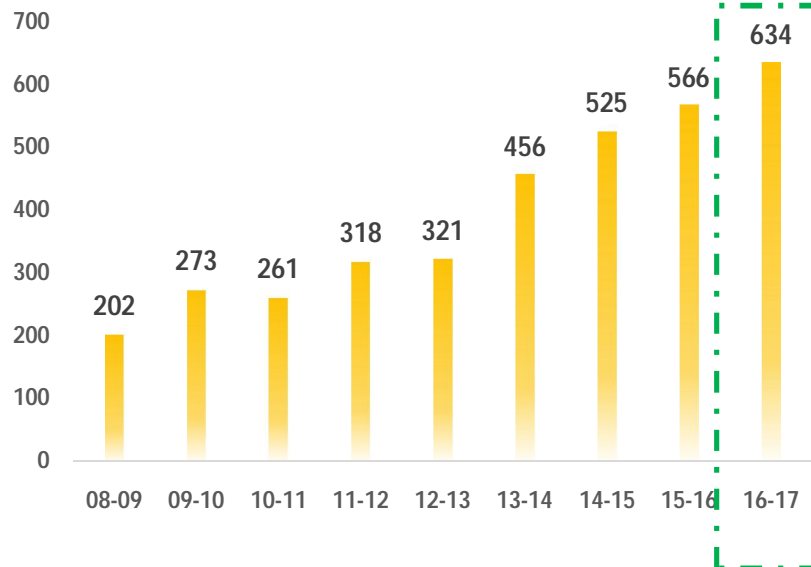
*Total Impact on Revenue: INR 55 Crores*

### Automation of Manufacturing process

- ✓ The automation of manufacturing process was placed with the leading automation vendor from the USA this was not successfully delivered
- ✓ It was to contribute 15% increase in production capacity

*Shortfall from Planned capacity  
Increase for Half year (7.5%) : INR 31 Crores*

But for the Impact, the Revenue (in INR crores) would have been



### Mitigation plan

#### Business with Jockey

- ✓ The capacities were allotted to other clients

#### Automation of Manufacturing process

- ✓ The Vendor has been able to successfully test the automation to the extent of 25% and the delivery is expected during the end of September 2018
- ✓ For the Balance 75%, the manufacturer is hopeful to deliver the automation by March 2019. However the capacity addition on account of this is not considered for the growth estimates



# Key events impacting revenue from operations

## FY 2017-18

### Goods and Services Tax

- ✓ Decrease in **Duty Drawback** from 7.60% to 1.90% impact of 5.70% on Revenue and profit
- ✓ **Refund of State Levies (ROSL)** reduced from 3.20% to 1.40% Impact of 1.80% on Revenue and profit
- ✓ **Service Tax Refund** of 0.21% discontinued impact of 0.21% on Revenue and profit

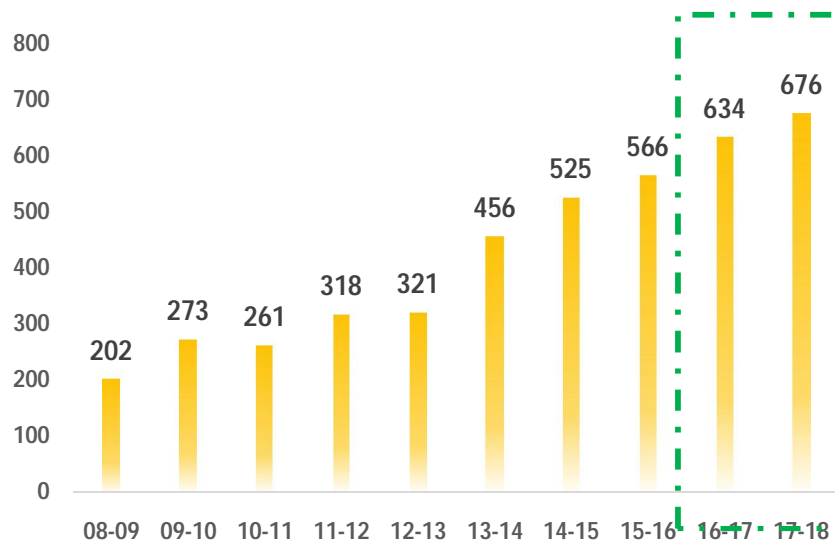
*Total Impact on Revenue & Profits (7.71%): INR 17.42 Crores*

### Bankruptcy of Toys R Us

- ✓ Toys R Us, a 61 year old company with over 1200 stores worldwide filed for liquidation in March 2018
- ✓ This led to a drop of 25 cr. for the year
- ✓ The Provision made for receivable at 3.27Cr impacted profits

*Estimated impact on revenue: INR 25 Crores*

But for the Impact, the Revenue (in INR crores) would have been



### Mitigation plan

#### GST

- ✓ This is a national tax policy which has impacted the entire textile industry. The management has taken steps to increase the efficiency of plants to minimize the impact

#### Bankruptcy of Toys R Us

- ✓ The company has secured an agreement with Toys R Us for direct sale of Toys R US branded Merchandise in the USA on a royalty basis
- ✓ Attorney's were engaged and the US Bankruptcy court has already allocated interim relief of 22.50%
- ✓ The capacities were allotted to other clients

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# Our Strengths

# Our team



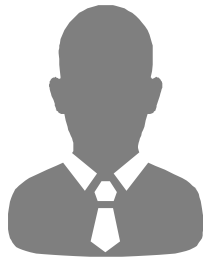
## **Mr. Donnie Hodge - President & COO ,Kitex USA LLC**

Ø Mr. Donnie Hodge is an accomplished executive with 40 years experience in Apparel Industry. Mr. Hodge's Previous executive positions include COO of Gerber Childrenswear LLC, President and COO of Knights Apparel Inc., Sr. VP- Strategic Planning and Executive member of JP Stevens and its successor West Point Stevens. With his understanding of business dimensions like operations, management, manufacturing, marketing and supply chain he has helped to orchestrate the advancement of these companies. He is also is a regular guest speaker at Business schools across USA



## **Mr. Christian Strahm - Vice President Manufacturing , Kitex Garments Limited**

Ø Mr. Christian Strahm has been associated with Kitex since 2009 and bring to his position a well established background in technology, production, Quality and process engineering. A mechanical engineer by qualification with 45 years of global experience in Engineering, Mr Strahm is the Founder of Santex AG and Strahm Textile Systems AG in Switzerland. He is also dignified winner of Branco Weiss prize and Switzerland's entrepreneur of the year award.



## **New Chief Financial Officer (CFO)**

Ø New Chief Financial Officer (CFO) has been identified. He is an accomplished professional from one of the BIG 4 accounting firms with an experience of 13 years. The appointment will be considered in the next Board meeting.

# Our partners

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KPMG has been engaged as the strategic consultants and knowledge partners designing our long term Growth Strategy and handholding during it's implementation



BDO shall be appointed as the Audit and Assurance service provider subject to shareholders' approval

# Kitex: the trusted brand



Kitex has consistently taken part in audits/certifications to assure clients of the quality and safety of products and manufacturing process



Manufacturing performance benchmarking: Adoption of Supplier Qualification Program standards



Chemical and Product safety: Certified 'Class I' for compliance to 'Oeko-Tex Standard 100' standards



Safe, Lawful, humane and Ethical manufacturing: Platinum level certification by Worldwide Responsible Accredited Production (WRAP)



Organic status of textiles: Compliance to Global Organic Textile Standard (GOTS)



Member of Sedex



Member of the Supplier Compliance Audit Network



Secure and Efficient supply chain: Rated 'Low Risk' (best possible rating) by Global Security Verification



High standards of workplace conditions, in accordance with industry standards and best practices: Confirmation to requirements of Workplace Conditions Assessment

# Kitex USA LLC

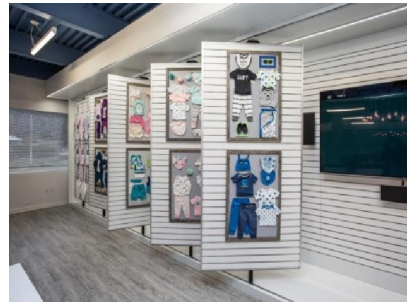


The U.S. Management team

# Infrastructure- Kitek USA LLC



### Design Studio



### Creative design team



### Office infrastructure



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# Road map 2025



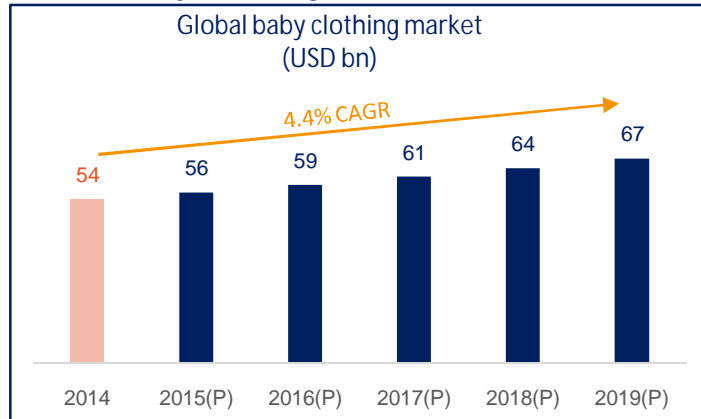


# Market overview

# Baby Clothing market



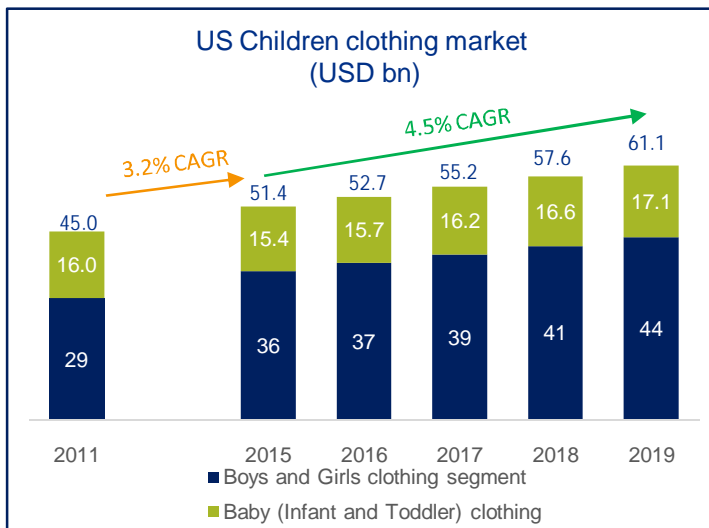
## Global Baby clothing market



- The baby clothing market accounts for 33% of total global children wear market
- With a market size of ~60 bn USD, market is expected to grow at a CAGR of 4.4% to reach USD 67 bn by 2019
- Parents tend to look for baby clothing from both disposable and functional aspects

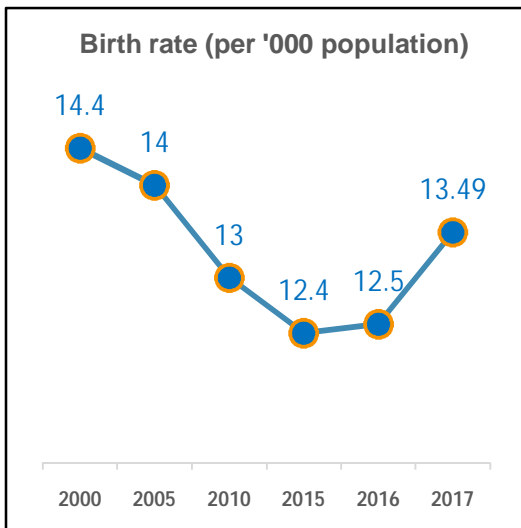
## US Baby clothing market

US Children wear market has grown at a modest rate in the previous years and is expected to continue a similar trend



**Birth rate** had been **declining in the past few years** although has been showing signs of stabilization recently

Trends in US baby clothing market are as follows:



**Baby clothing market** in US fell by 1% CAGR from 2011-15 to reach \$15.4 Bn in 2015; it is expected to **grow at 2.7%** to reach ~17 bn USD in 2019

**Overall Children wear market** is expected to grow at a faster rate from 2015 to 2019 at **4.5% CAGR** driven by **higher growth in Boys and Girls segment** (5.3% CAGR)

**Recent growth in per capita income, decrease in unemployment rates and increase in purchasing power** are the main factors driving this growth and are expected to continue doing so

# Impact of Global events on Garment Export

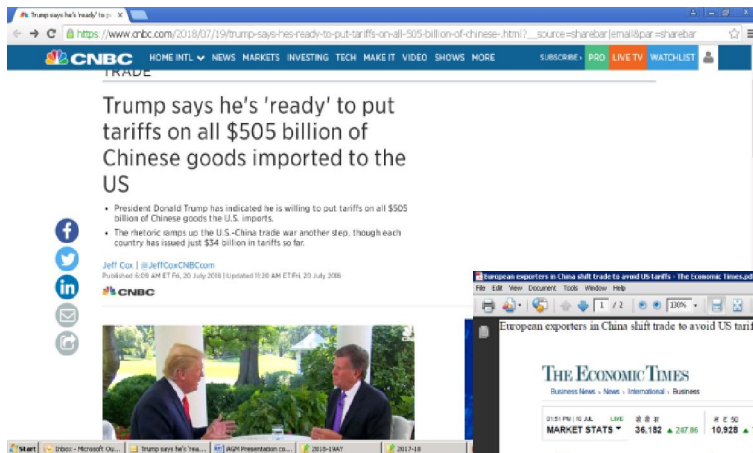


Ø Chinese market had become unviable for garmenting due to increased cost of Cotton and other overheads

Ø Increase in cotton cost by 25 % and imposition of Duty on Cotton imports by 10% made matters worse

Ø Due to trade war fears Global players are looking for manufactures outside the major beneficiary could be India

*US China Trade war impact and its fallout could turn out to unfold new opportunities for other countries especially India*



no one wins in a trade war. We may soon find out if they're President Donald Trump said he would slap tariffs on a range imposed punitive duties on some imports from the U.S. in nounced U.S. tariffs on steel and aluminium. And here we go, consumers from both countries are almost certain to get hurt in

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# Strategic roadmap

# Elements of Kitex Growth strategy



## Revenue enhancement

### Enhanced revenue through:

- Promotion of own brand - Little Star
- Promotion of licensed brand - Lamaze
- Growth in private label business with existing clients
- On-boarding of new clients for private label business
- Geographic expansion

### Addition of production capacity across the value chain:

- Expansion of Knitting capacity to 80 tons
- Expansion of Processing capacity to 80 tons
- Expansion of sewing production capacity



## Capacity augmentation



## Product diversification

### Venture into manufacturing and sales of new products for the infants category:

- Socks for children
- Baby diapers
- Baby wet wipes

### Increased level of vertical integration with:

- Setting up manufacturing facilities for ancillary materials such as Cartons, tapes and paper tags
- Setting up of cotton spinning mill  
*Cotton yarn production capacity: 80 Ton per day*

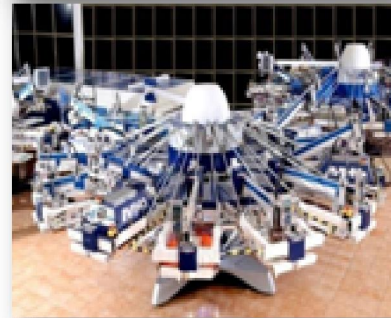


## Vertical integration

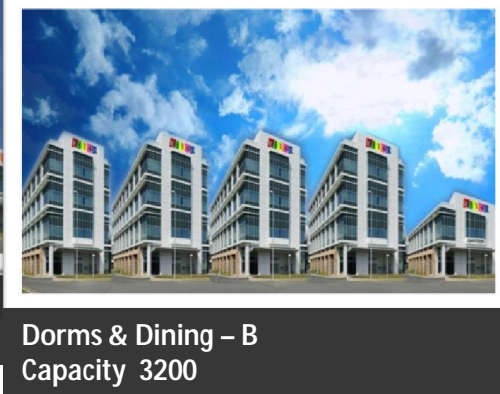
# KGL Capacity Expansion 2018-2025\*



Centralized Cutting facility ( Feeder Unit)



Capacity 3200



Dorms & Dining – B  
Capacity 3200



Processing unit Capacity Expansion to 80MT

\*All pictures are illustrative

# Planned units for KiteX 2025\*



**KGL Subsidiary 1: Knitting factory ( feeder Unit)**



**KGL Subsidiary 2: Packaging accessories factory (Feeder Units)**



**KGL Subsidiary 3: Sewing factory with hostel facility**



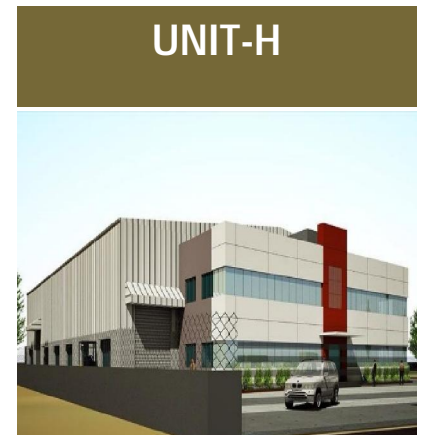
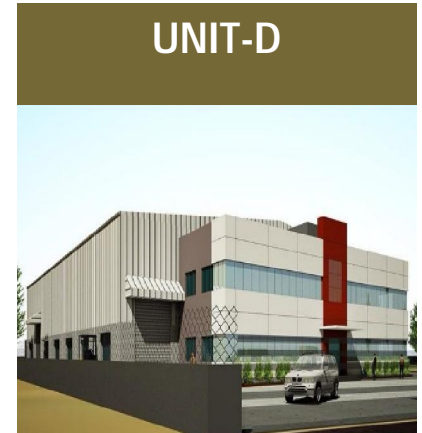
**KGL Subsidiary 4: Sewing factory with hostel facility**

\*Subsidiaries are to be wholly owned by KGL ; All pictures are illustrative

# Employment Centres for Mothers\*



## KGL Subsidiary 5



\*Subsidiaries are to be wholly owned by KGL ; All pictures are illustrative



# Future Plans\* (Under Evaluation)



Spinning mill  
*(Vertical integration plan)*



Socks manufacturing factory  
*(Diversification plan)*



Wet tissue factory  
*(Diversification plan)*



Disposable diaper manufacturing factory  
*(Diversification plan)*

\*Subsidiaries are to be wholly owned by KGL ; All pictures are illustrative



# Project status

# Key activities: Completed and on-going

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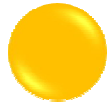
**Completed**

Preparation of strategy document



**Completed**

Land identification



**On-going**

Preparation of detailed project report



**On-going**

Machinery and supplier identification



**On-going**

Building and infrastructure planning

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# Performance forecast

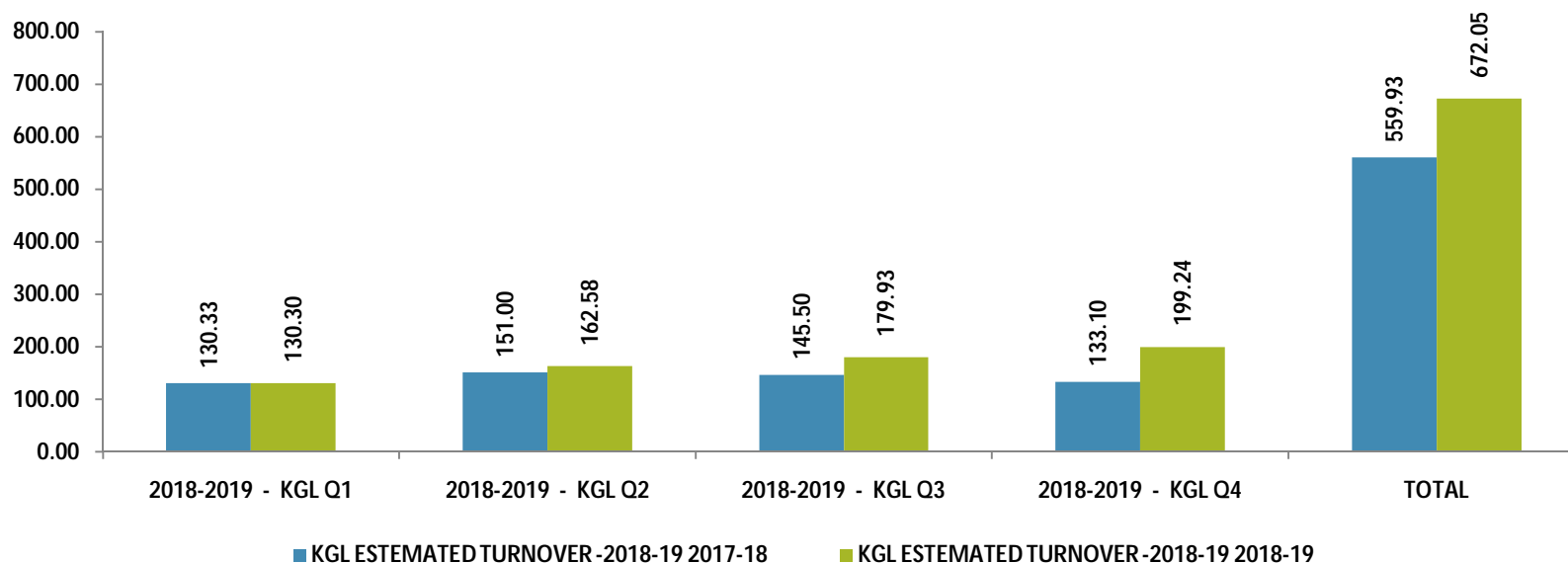
# Estimated Turnover & Profit for KGL FY 2018-19



*All figures are in INR crores*

KGL ESTIMATED TURNOVER & PROFIT -2018-19				
DESCRIPTION	Turnover (2017-18)	PBT (2017-18)	Turnover (2018-19)	PBT (2018-19)
2018-2019 - KGL Q1	130.33	22.90%	130.30	21.00%
2018-2019 - KGL Q2	151.00	25.16%	162.58	-
2018-2019 - KGL Q3	145.50	19.17%	179.93	-
2018-2019 - KGL Q4	133.10	9.69%	199.24	-
<b>TOTAL</b>	<b>559.93</b>	<b>19.40%</b>	<b>672.05</b>	

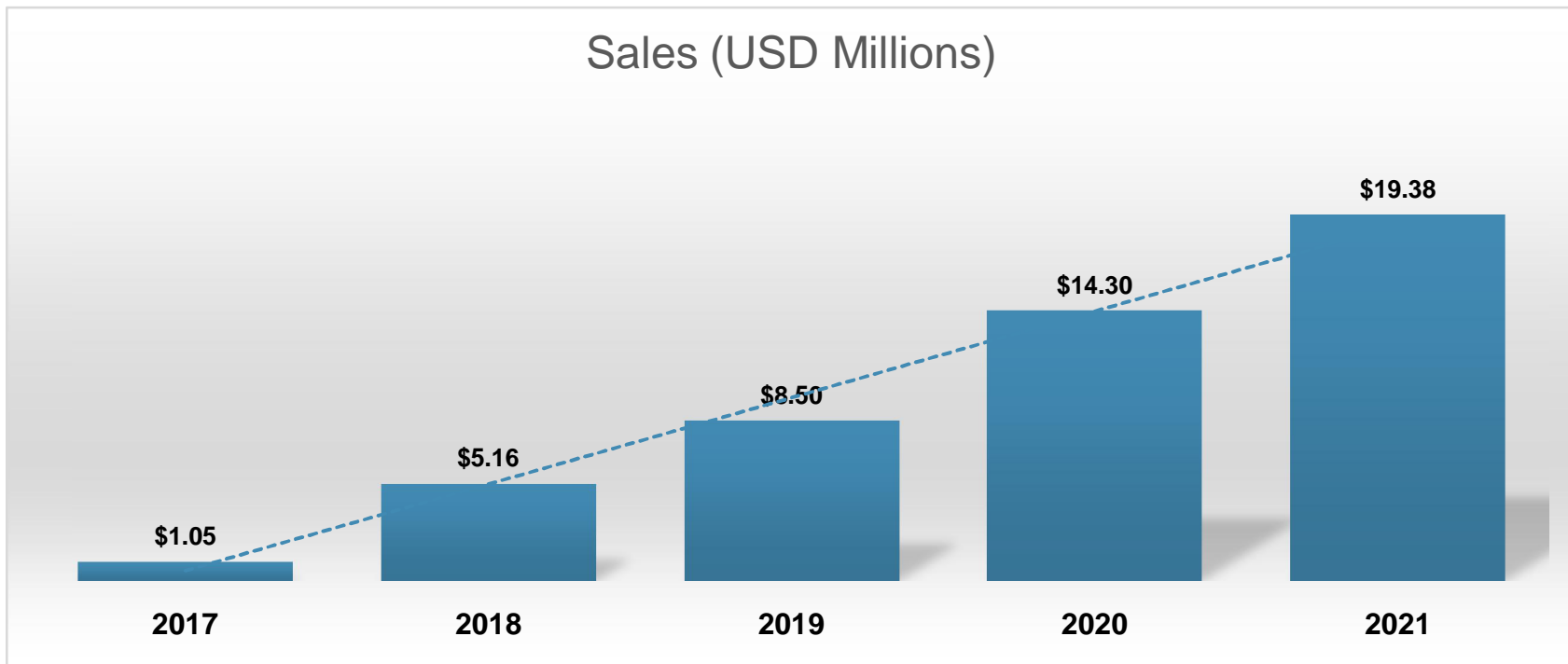
*All figures are in INR crores*



# Estimated turnover for Kitex USA LLC- Lamaze/ Little star for 2018-2021



Sales forecast*					
Description	2017	2018	2019	2020	2021
Projected Turnover (USD)	\$1,053,000	\$5,158,000	\$8,500,000	\$14,300,000	\$19,381,000
Growth %	-	390%	65%	68%	36%

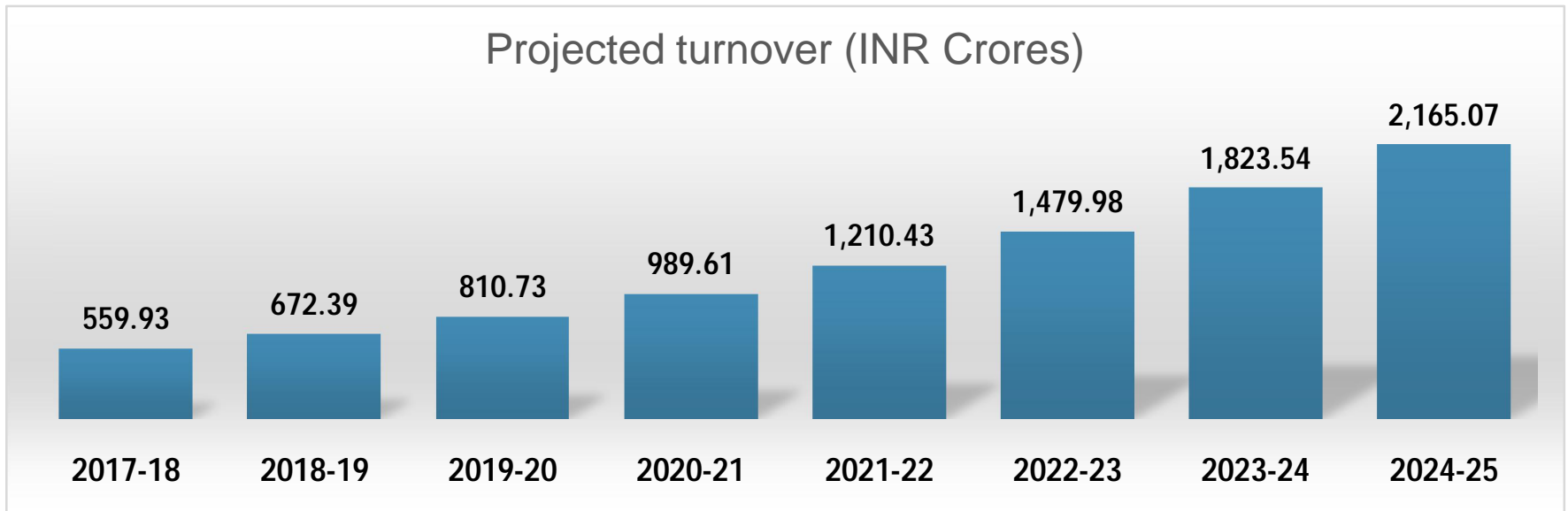


\* Revenue from private label business is not considered

# Estimated turnover for KGL: FY 2018-19 to FY 2024-25



KGL Growth plan: 2018-19 to 2024-25								
Description	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Projected Turnover (in INR crores)	559.93	672.39	810.73	989.61	1,210.43	1,479.98	1,823.54	2,165.07
Growth %		20.09%	20.57%	22.06%	22.31%	22.27%	23.21%	18.73%
Investment plan (in INR crores)		145	145	145	175	150	85	65
Investment total (in INR crores)	910							



**Thank you.**

